

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-10 NSAE-00 RSC-01 FAA-00 L-03 PA-04

USIA-15 PRS-01 SP-03 SS-20 NSC-07 H-03 DRC-01 /114 W

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R 291809Z MAY 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9495

INFO AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY DUBLIN

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E.O. 11652: N/A

TAGS: ETRN, XN

SUBJECT: CIVAIR: TRILATERAL TALKS ON FARES

REF: A. PARIS 12653 (NOTAL), B. LONDON 6455 (NOTAL)

1. SUMMARY - TRILATERAL TALKS (ECAC-US-CANADA) ON SCHEDULED FARES WERE HELD IN PARIS MAY 22-23. ECAC HAD PROPOSED TALKS BECAUSE OF CONCERN OVER LOSSES IN CARRIER REVENUE ON NORTH ATLANTIC AND IN ORDER INFLUENCE CARRIER DISCUSSIONS AT FORTHCOMING IATA CONFERENCE. DISCUSSION FOCUSSED ON LEVEL AND STRUCTURE OF FARES, WITH GENERAL AGREEMENT FARES SHOULD BE MORE COST-RELATED. CONTINUING NEED FOR LIMITED OFFICIAL USE

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CHARTER FLOOR PRICE WAS STRESSED. ECAC WOULD LIKE

TO SCHEDULE ANOTHER ROUND OF TRILATERAL TALKS FOR THIS FALL BUT NO DECISION WAS REACHED. END SUMMARY

2. AT THE INVITATION OF THE EUROPEAN CIVIL AVIATION CONFERENCE (ECAC), TRILATERAL TALKS ATTENDED BY DELEGATIONS REPRESENTING ECAC, US AND CANADA WERE HELD MAY 22 AND 23 AT ECAC HEADQUARTERS IN PARIS ON SUBJECT OF FARES IN NORTH ATLANTIC SCHEDULED TRAFFIC. U.S. DEL WAS HEADED BY DEPUTY ASSISTANT SECRETARY WALDMANN OF STATE AND ALSO INCLUDED REPS OF CAB AND DOT; CANADIAN DEL WAS HEADED BY THOMSON OF AIR TRANSPORT COMMITTEE; AND ECAC DEL WAS HEADED BY RABEN, DIRECTOR GENERAL OF CIVIL AVIATION OF THE NETHERLANDS. ECAC DELEGATION INCLUDED REPS FROM ALL MEMBER COUNTRIES THAT ARE AMONG INFO ADDRESSEES THIS TELEGRAM PLUS FRANCE. PRESS RELEASE ISSUED AT CONCLUSION OF TALKS, REPORTED IN REF A, IS BEING REPEATED TO INFO ADDRESSEES. REF B SUMMARIZED PRESS RELEASE.

3. ECAC INITIATIVE IN CONVENING MEETING REFLECTED MOUNTING CONCERN OVER LOSSES INCURRED BY CARRIERS ON NORTH ATLANTIC (LIKELY TO TOTAL \$300 MILLION IN 1974-75, ACCORDING TO IATA, UNLESS PROMPT REMEDIAL ACTION IS TAKEN) AND CONCOMITANT DESIRE INFLUENCE OUTCOME OF CARRIER NEGOTIATIONS ON FARES AT IATA CONFERENCE OPENING AT FORT LAUDERDALE ON JUNE 11. INDEED, ECAC-PROPOSED AGENDA ITEM ON "FOLLOW-UP OF THE TALKS" WAS DIRECTED TO THIS QUESTCHN OF HOW TO SERVE N LPBE ON CARRIERS OF RESULTS OF GOVERNMENTS' DELIBERATIONS AT TRILATERAL TALKS. IN ADVANCE MEETING WITH RABEN TO DISCUSS DRAFT AGENDA AND EXPLORE ECAC THINKING, WALDMANN FOUND RABEN AS WELL AS DOZ OF ECAC SECRETARIAT ANXIOUS TO PRODUCE SOME KIND OF FINAL STATEMENT AND IN SUBSEQUENT MEETING WITH BRITISH THEY WERE FOUND TO BE VERY STRONGLY COMMITTED TO THIS SAME BELIEF. AT OUTSET OF TALKS CANADIAN DEL INDICATED THAT INADEQUATE PREPARATION DUE TO LATE RECEIPT OF DRAFT AGENDA WOULD INHIBIT LIMITED OFFICIAL USE

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HIS ABILITY TO COMMIT CANADIAN GOVERNMENT IN COURSE OF DISCUSSIONS AND CANADIANS WERE INITIALLY FAIRLY COOL TO IDEA OF PRESS RELEASE BUT FINALLY WENT ALONG.

4. AT U.S. INSISTENCE, DISCUSSION OF PRINCIPAL AGENDA ITEM ON "NEXT YEAR'S ACTION" FOCUSSED ON LEVEL AND STRUCTURE OF SCHEDULED FARES, WHICH ECAC HAD LISTED FAIRLY FAR DOWN AMONG SEVERAL SUB-HEADINGS

UNDER THIS ITEM. DISCUSSION REVEALED GENERAL AGREE-
MENT ON THREE PRINCIPLES WHICH U.S. DEL ADVOCATED TO
UNDERLIE ACTION BY CARRIERS IN RESTRUCTURING NORTH
ATLANTIC FARES: (A) ACHIEVEMENT OF BETTER YIELD AND
IMPROVED RETURN ON INVESTMENT; (B) CLOSER RELATION-
SHIP BETWEEN FARE LEVELS AND COST OF SERVICE, WITH
NO DISCRIMINATION AMONG USERS; AND (C) A SIMPLE,
SALEABLE PRODUCT LINE REPLACING PRESENT COMPLEX FARE
STRUCTURE. THERE WERE, OF COURSE, NUANCES. RABEN
SAID ECAC DELS WERE DIVIDED ON DEGREE TO WHICH FARE
LEVEL SHOULD BE DIRECTLY RELATED TO COVERAGE OF COSTS.

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FM AMEMBASSY PARIS

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INFO AMEMBASSY ATHENS

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ALSO, THERE WAS SOME DIFFERENCE OVER PRIORITIES, WITH ECAC MEMBERS BEING OF THE VIEW THAT IT WAS ESSENTIAL TO CUT LOSSES FAST RATHER THAN LOOKING AHEAD TO LONGER-TERM REFORM OF FARE STRUCTURE. U.K. DEL URGED CONTINUATION OF EFFORTS TO REDUCE CAPACITY AS ANOTHER WAY TO REDUCE COSTS AND FRENCH DEL ARGUED THAT IN HIS VIEW CAPACITY REDUCTION WAS CRUX OF THE WHOLE PROBLEM.

5. U.K. DEL, IN ARGUING AGAINST FLAT INCREASE IN FARES AND SUPPORTING U.S. POSITION FOR RESTRUCTURING OF FARES, NOTED THAT PROBLEM EXISTED FOR AIRLINES DUE THEIR LIMITED OFFICIAL USE

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INABILITY CONTROL NUMBER OF PASSENGERS CHOOSING LOWEST FARE PROVIDED PASSENGERS COULD MEET THE CONDITIONS. HE CITED IATA DATA INDICATING THAT FROM 1964 TO 1973 NUMBER OF PASSENGERS TRAVELING ON EXCURSION FARES HAD INCREASED FROM 19 PERCENT TO 52 PERCENT OF TOTAL TRAFFIC AT EXPENSE OF ECONOMY CLASS TRAFFIC. ONE POSSIBILITY MIGHT BE TO RESTRICT CAPACITY OFFERED AT LOW-COST AS PERCENTAGE OF LOAD FACTOR, AND U.S. DEL AGREED THAT THIS APPROACH WHICH HAD BEEN SUGGESTED BY SEVERAL CARRIERS MIGHT BE GIVEN A TRY. U.S. DEL ALSO SAW INTEREST IN EXPLORING OTHER CARRIER SUGGESTIONS, INCLUDING SINGLE EXCURSION FARE (14-21 DAYS), RETENTION OF 22-45 DAY EXCURSION FARE BUT ON ADVANCE BOOKING (APEX) BASIS, CHARGE FOR STOPOVERS, PENALTIES FOR RESERVATIONS AND CANCELLATIONS. PRESENT THINKING WITHIN CAB WAS THAT ANY INCREASE IN PRESENT LEVEL OF ECONOMY FARE WOULD BE DIFFICULT TO ACCEPT UNLESS JUSTIFIED BY HIGHER FUEL COSTS. ANY APEX EXCURSION FARES SHOULD NOT BE LOWER THAN PRESENT 22-45 DAY EXCURSION FARE. NO FARES CLOSE TO CHARTER RATES (FULL PLANELOAD COSTS) COULD BE CONSIDERED ECONOMICAL FOR SCHEDULED TRAFFIC. U.K.. AGREED APEX FARE SHOULD BE NO LOWER THAN PRESENT 22-45 DAY EXCURSION FARE AND PREFERABLY HIGHER, AND PRESENT EXCURSION FARES MIGHT ALSO BE COMBINED. SUMMING UP, RABEN NOTED CONSENSUS THAT LEVEL OF LOWEST ACCEPTABLE FARE WAS OF KEY SIGNIFICANCE FOR CARRIER REVENUE.

6. NORWEGIAN DEL, SECONDED BY CANADIAN, SAW RISK THAT INCREASING LEVEL OF LOWEST FARES WOULD DIVERT TRAFFIC FROM SCHEDULED FLIGHTS TO CHARTERS. THERE WAS UNANIMITY THAT CONTINUED TALKS BETWEEN SCHEDULED AND NON-SCHEDULED CARRIERS SHOULD BE ENCOURAGED IN EFFORT ACHIEVE AGREEMENT ON CHARTER FLOOR PRICE. U.S. DEL PROPOSED THAT GOVERNMENTS URGE CARRIERS TO TRY REACH AGREEMENT BEFORE

IATA CONFERENCE IN JUNE. RABEN SAID HE WAS IN NO POSITION COMMIT ECAC DELS AS TO AMOUNT OF DESIRED DIFFERENTIAL BETWEEN CHARTER FLOOR AND LOWEST SCHEDULED FARE, THOUGH HE NOTED THAT IN SOME QUARTERS RANGE OF \$50-75 HAD BEEN MENTIONED. U.K. DEL FELT THAT CHARTER CAPACITY HAD TO BE CONTROLLED SOMEHOW FOR LIMITED OFFICIAL USE

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OTHERWISE UNRESTRICTED ACCESS TO CHARTER MARKET WOULD NOT ONLY UNDERMINE CAPACITY AGREEMENTS AMONG SCHEDULED CARRIERS BUT ALSO ANY CHARTER FLOOR PRICE THAT MIGHT BE AGREED UPON.

7. RABEN INDICATED ECAC MEMBERS BELIEVE FURTHER INCREASE IN FARES WILL BE NECESSARY BECAUSE OF HIGHER FUEL COSTS. U.S. DEL THOUGHT IT LIKELY CAB WOULD NOT OBJECT SINCE FARE INCREASES THUS FAR HAD NOT FULLY ABSORBED FUEL PRICE INCREASE. CANADIAN DEL COULD NOT BE PINNED DOWN ON THIS POINT AND WOULD UNDERTAKE ONLY TO EXAMINE CAREFULLY WHATEVER FARE PROPOSALS MIGHT ISSUE FROM IATA.

8. RE AGENDA ITEM ON MAJORITY DECISIONS IN IATA RATE-MAKING, RABEN SAID THAT HE HAD SUGGESTED THIS ITEM ON BASIS RECENT DISCUSSION HE HAD HAD WITH CAB CHAIRMAN TIMM. RABEN SAID THAT WHILE IATA UNANIMITY RULE OFTEN POSED PROBLEMS, NO ONE HAD YET COME UP WITH WORKABLE ALTERNATIVE; ECAC HAD NO VIEWS AT PRESENT THIS SUBJECT. CANADIAN DEL SAID IT HAD NO POSITION. U.S. DEL READ EXCERPT THIS SUBJECT FROM RECENT SPEECH GIVEN BY MR. TIMM IN LONDON. THERE WAS BRIEF AND INCONCLUSIVE DISCUSSION OF "PARTIAL AGREEMENTS" FORMULA THAT HAD BEEN PROPOSED AS SUBSTITUTE FOR IATA UNANIMITY RULE SOME TIME AGO.

9. SWEDISH DEL (WINBERG) WAS SPOKESMAN FOR ECAC ON AGENDA ITEM RE PROCEDURES FOR ESTABLISHMENT OF TARIFFS, WITH ECAC RECOMMENDATION BEING FOR LONGER TIME PERIOD, E.G., THREE MONTHS, THAN NOW PROVIDED IN BILATERAL CIVAIR AGREEMENTS FOR ADVANCE FILING

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OF TARIFFS FOR GOVERNMENTAL APPROVAL. U.S. DEL NOTED THAT U.S. CARRIERS HAD COMPLAINED TO CAB THAT 30 DAY ADVANCE FILING WAS TOO SHORT, BUT 30 DAYS WAS REQUIREMENT LAID DOWN IN FEDERAL AVIATION ACT. FURTHER DISCUSSION OF THIS ITEM WAS POSTPONED TO SOME LATER MEETING.

10. AT CONCLUSION OF TALKS, RABEN SUGGESTED THAT ANOTHER TRILATERAL MEETING ON SCHEDULED FARES WOULD BE USEFUL THIS FALL AFTER THE IATA CONFERENCE. WHILE NOT WISHING SUGGEST IATA MIGHT BE UNABLE TO AGREE ON SATISFACTORY FARES IN MEANTIME, HE THOUGHT THERE WOULD

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SURELY BE SOME POINTS GOVERNMENTS WOULD WISH DISCUSS FURTHER. ECAC DELS WOULD BE PREPARED MEET IN NORTH AMERICA NEXT TIME IF DESIRED. U.S. AND CANADIAN

DELS WERE NON-COMMITTAL.

11. COMMENT: DOZ INFORMS US THAT ECAC MEMBERS WERE
HIGHLY PLEASED WITH TALKS. RABEN ASKED HIM ONCE AGAIN
TO STRESS TO US UTILITY WHICH ECAC SEES IN SCHEDULING
ANOTHER ROUND OF TALKS THIS FALL.
IRWIN

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Message Attributes

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Draft Date: 29 MAY 1974
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Disposition Authority: garlanwa
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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